Attachment 1

FINANCIAL CONDITION OF VERIZON'S FACILITIES-BASED COMPETITORS IN VIRGINIA

Facilities-Based Providers (Virginia)	Change in Mkt. Cap.[i]	Current Financial Situation
Adelphia Communications/ Adelphia Business Solutions	-99.65% ($0.12)/ -98.57% ($0.06)	Adelphia Communications filed for bankruptcy in June 2002, lost $1.71 billion in 2001, and several company officials have been charged with fraud;[ii] Nasdaq delisted stock in June 2002;[iii] Adelphia Business Solutions filed for bankruptcy in March 2002 (as have several affiliate units, including Virginia-based affiliate) citing deteriorating market for competitive local exchange carriers, and petitioning bankruptcy court to sell Total Service Resale in nine southeastern U.S. states to BellSouth;[iv] announced in September 2001 significant capital expenditure reductions for 2001-2003 and eliminating further investment in approximately 10 markets.[v]
Allegiance Telecom	-95.17%/ ($0.65)	Reported 2nd Quarter 2002 net loss of $226.8 million;[vi] Moody's, Bear Stearns, and Credit Lyonnais downgraded stock in August 2002;[vii] Fitch downgraded senior discount notes and revised its ratings outlook from stable to negative in July 2002;[viii] S&P downgraded credit rating in June 2002 based upon "continued weak fundamentals" of CLEC industry and belief that Allegiance will have difficulty meeting minimum revenue targets in 2nd and 3rd Quarter 2002, and does not expect company to be free cash flow positive in near term;[ix] reported 1st Quarter 2002 loss of $112.6 million;[x] reported 3rd Quarter 2001 loss of $106.5 million;[xi] lost $275.5 million in 2000.[xii]
AT&T	-47.75% ($10.45)	Reported 2nd Quarter 2002 loss of $12.7 billion, including $13.7 billion drop in Broadband unit's book value;[xiii] reported 1st Quarter 2002 loss of $975 million, revenue decline of 11%, expects to reduce capital expenditures by $300 million to $400 million;[xiv] reported 4th Quarter 2001 loss of $1.7 billion;[xv] announced in January 2002 plans to eliminate 5,000 employees in 2002, after cutting 8,000 in 2001;[xvi] reported overall loss of $191 million for 2nd Quarter 2001;[xvii] reported net loss of $373 million for 1st Quarter.[xviii]
Cavalier Telephone	N/A	Called off planned merger with two other CLECs in August 2000 due to decline in Nasdaq market.[xix]

Facilities-Based Providers (Virginia)	Change in Mkt. Cap.[i]	Current Financial Situation
Comcast	-50.58% ($20.09)	Reported 2nd Quarter 2002 net loss of $209.6 million, and value of AT&T Broadband acquisition has dropped approximately $25 billion due to low stock values;[xx] reported 1st Quarter 2002 loss of $88.9 million;[xxi] reported 4th Quarter 2001 loss of $321 million;[xxii] reported 3rd Quarter 2001 loss of $106.8 million;[xxiii] reported 1st Quarter 2001 net loss of $290.6 million.[xxiv]
Cox Communications, Inc.	-46.44% ($22.85)	Reported 2nd Quarter 2002 net loss of $516.2 million;[xxv] reported 1st Quarter 2002 net income decline of 80%, showing a loss of $59 million (excluding one-time transactions) and 23% increase in operating costs;[xxvi] 2nd Quarter 2001 net income fell 66% amid a slowdown in rate of subscriber growth;[xxvii] reduced subscriber growth projections for 3rd Quarter 2001.[xxviii]
Hughes Electronics Corp./ Hughes Network Systems	-46.46%/ ($10.60)	Value of sale to EchoStar (expected to be completed by 4th Quarter 2002) has fallen by $10 billion due to declining stock value;[xxix] reported 2nd Quarter 2002 loss of $155.1 million;[xxx] reported 1st Quarter 2002 loss of $156.4 million;[xxxi] reported year 2001 net loss of $621.6 million and 4th Quarter 2001 net loss of $132.6 million;[xxxii] satellite Internet subsidiary Hughes Network Systems reported 2nd Quarter 2002 EBITDA loss of $29.7 million;[xxxiii] reported 1st Quarter 2002 loss of $27.5 million,[xxxiv] laid off 200 workers in December 2001,[xxxv] and cut forecasts for new subscribers.[xxxvi]
KMC Telecom	N/A	SEC investigating accounting and equipment deals with Qwest which could have substantial consequences (Qwest accounts for 60% of KMC's sales), cutting hundreds of jobs (plans to eliminate 41% of employees in second-tier cities, which company admits will hurt sales), credit lines are nearly exhausted (estimates it has until 2nd Quarter 2003 before funding runs out), and reduced investment in core cities from $440 million in 1999 to projected $25 million in 2002;[xxxvii] laid off 250 employees in February 2002;[xxxviii] withdrew its proposed initial public offering in October 2001.[xxxix]
StarBand Communications	N/A	Filed for bankruptcy in May 2002, listing liabilities of $229 million and promising workforce reduction of 15%;[xl] laid off 30% of employees in 2001 and has not made a profit for investors due in part to slower than expected demand.[xli]
US LEC	-65.22% ($2.40)	Reported 2nd Quarter 2002 net loss of $24 million;[xlii] reported 1st Quarter 2002 net loss of $13.8 million;[xliii] reported 3rd Quarter 2001 loss of $22.8 million;[xliv] reported 2nd Quarter 2001 loss of $15.1 million.

Facilities-Based Providers (Virginia)	Change in Mkt. Cap.[i]	Current Financial Situation
WorldCom/WorldCom Group	-99.23%/ ($0.12)	Filed for bankruptcy in July 2002 and being investigated for civil and criminal fraud violations (former CFO and controller have been charged);[xlv] since June 2002, has restated $7.2 billion in expenses from 1999 through 2nd Quarter 2002 and declined to certify 2001 annual report or subsequent reports filed with SEC as required;[xlvi] bank lenders suspended $4.25 billion in loans and canceled $1.5 billion securtization of receivables, and laid off 17,000 employees (over 20% of workforce) with additional layoffs possible;[xlvii] local service for "The Neighborhood" plan had not started in many states as of mid-July 2002;[xlviii] expected to cut $1 billion from 2002 capital expenditures;[xlix] announced in August 2001 cut in capital spending by $2 billion for 2002;[l] laid off 6,300 employees (6-7% of workforce) in February 2001,[li] 361 in March 2001,[lii] and 832 in April 2001,[liii] and 1,000 across Europe in October 2001.[liv]
XO Communications, Inc.	-98.73% ($0.02)	Filed for bankruptcy in June 2002, listing total liabilities of $8.5 billion and owing lenders more than $4.4 billion;[lv] reported 1st Quarter 2002 net loss of $2.2 billion;[lvi] delisted by Nasdaq and erased value of public stock as part of $800 million restructuring plan;[lvii] reported 2001 EBITDA loss of $240.8 million;[lviii] Standard & Poor's downgraded credit rating in November 2001;[lix] announced in October 2001 elimination of 600 jobs (8% of workforce);[lx] cutting $2 billion from planned capital expenditures over the next five years, halting European expansion, delaying some domestic expansions, and curtailing services.[lxi]

[i] The figures in this column represent the percentage below the 52-week high for the respective publicly traded stocks—as calculated by Morningstar.com—and the last price of each stock at the close of trading on August 16, 2002.

[ii] *See* Jerry Markon and Robert Frank, *Leading the News: Five Adelphia Officials Arrested on Fraud Charge*, THE WALL STREET JOURNAL, July 25, 2002, *available in* 2002 WL-WSJ 3401643; Bill Bergstrom, *Adelphia Slams Deloite & Touche*, AP ONLINE, July 9, 2002, *available in* 2002 WL 23894642; Jonathan Berke, *DIP newcomer aids ABIZ*, THE DAILY DEAL, June 22, 2002, *available in* 2002 WL 2239867; Diane Mermigas, *Chap. 11 looms for Adelphia: Besieged company may file for relief this week*, ELECTRONIC MEDIA, June 17, 2002, *available in* 2002 WL 9505598; *LCR Notes: Adelphia CLEC Files Chapter 11*, LOCAL COMPETITION REPORT, April 8, 2002, *available in* 2002 WL 16916403.

[iii] *See* Bill Bergstrom, *Business: Nasdaq to delist Adelphia Communications' stock*, THE NANDO TIMES (May 31, 2002) <http://www.nandotimes.com/business/story/419512p-3345117c.html>.

[iv] *See* Diane Mermigas, *Chap. 11 looms for Adelphia: Besieged company may file for relief this week*, ELECTRONIC MEDIA, June 17, 2002, *available in* 2002 WL 9505598; *Adelphia Business Solutions In $15 Million DIP Financing Pact*, DOW JONES (June 21, 2002) <http://news.morningstar.com/news/DJ/M06/D21/1024654262401.html>;

Report: 11 Adelphia Business Affiliates File for Chapter 11, PITTSBURGH BUSINESS TIMES (June 19, 2002) <http://pittsburgh.bizjournals.com/pittsburgh/stories/2002/06/17/daily27.html>; *Adelphia Business Seeks Court OK On Sale to BellSouth*, DOW JONES (June 4, 2002) <http://news.morningstar.com/news/DJ/M06/D04/1023232263064.html>.

[v] *Adelphia Business Solutions Announces Significant Capital Spending Reductions, $125 Million Planned Asset Sales to Adelphia Communications, Its Parent Company, And Revised Financial Guidance*, PRNEWSWIRE (September 5, 2001) <http://news.morningstar.com/news/PR/M09/D05/99705182963.html>.

[vi] *Allegiance Telecom's 2nd quarter loss widens*, REUTERS COMPANY NEWS (July 30, 2002) <http://biz.yahoo.com/rc/020730/telecoms_allegiance_earns_1.html>.

[vii] *Moody's cuts Allegiance Telecom ratings*, REUTERS COMPANY NEWS (August 12, 2002) <http://biz.yahoo.com/rc/020812/telecoms_allegiance_moodys_1.html>; YAHOO! FINANCE (August 1, 2002) <http://biz.yahoo.com/c/20020801/d.html?algx>; YAHOO! FINANCE (July 31, 2002) <http://biz.yahoo.com/c/20020731/d.html?algx>.

[viii] *See* Gerald C. Magpily, *Ratings Review*, THE DAILY DEAL, July 2, 2002, *available in* 2002 WL 22398944.

[ix] *Allegiance Telecom Not Surprised By S&P Downgrade*, DOW JONES NEWSWIRES (June 4, 2002) <http://news.morningstar.com/news/DJ/M06/D04/1023231662610.html>.

[x] *See* Vikas Bajaj, *Allegiance loss widens while revenue soars*, THE DALLAS MORNING NEWS, May 1, 2002, *available in* 2002 WL 20320146.

[xi] *Earnings*, THE FORT WORTH STAR-TELEGRAM, October 24, 2001, *available in* 2001 WL 29223971.

[xii] *Allegiance Telecom Sees 3rd Quarter Revenue of $135 Million*, DOW JONES NEWSWIRES (September 26, 2001) <http://news.morningstar.com/news/DJ/M09/D26/001540777997.html>.

[xiii] *See* Bruce Meyerson, *AT&T Posts $12.7 Billion Loss*, AP ONLINE, July 23, 2002, *available in* 2002 WL 24647566.

[xiv] *See* Deborah Solomon, *AT&T Loss Widened in First Period*, THE WALL STREET JOURNAL, April 25, 2002, *available in* 2002 WL-WSJ 3392833.

[xv] *See* Seth Schiesel, *AT&T and AOL Report Losses*, THE NEW YORK TIMES (January 31, 2002) <http://www.attinsider.com/resources/articles/nytimes_1-31-02.asp>.

[xvi] *AT&T Expects to Take $1 Billion 4th-Quarter Restructuring Charge*, DOW JONES (January 4, 2002) <http://news.morningstar.com/news/PR/M01/D04/1010180462645.html>.

[xvii] *AT&T Broadband Boosts Financial Numbers, New Services*, WARREN'S CABLE REGULATION MONITOR, July 30, 2001, *available in* 2001 WL 8146764.

[xviii] *See* Andy Pelander, *CLEC: Tower of Babel*, UPSIDE MAGAZINE, August 1, 2001, *available in* 2001 WL 2023187.

[xix] *Cavalier's Merger with Companies Called Off*, RICHMOND TIMES-DISPATCH, August 29, 2000, *available in* 2000 WL 5046197.

[xx] *See* Akweli Parker, *Investment losses sour a strong Comcast performance*, THE PHILADELPHIA INQUIRER, August 2, 2002, *available in* 2002 WL 24703391; Diane Mermigas, *Chap. 11 looms for Adelphia: Besieged company may file for relief this week*, ELECTRONIC MEDIA, June 17, 2002, *available in* 2002 WL 9505598.

[xxi] *Comcast Loss Has an Upside*, SERVICE PROVIDER WEEKLY (May 11, 2002) <http://www.spweekly.com/artengine/publish.php?cmd=viewart&artid=21>.

[xxii] *Comcast Reports Fourth Quarter Loss, Acquisition of AT&T Broadband Blamed* (February 6, 2002) <http://www.internetindustry.com/News/2602.shtml>.

[xxiii] *Comcast reports loss but beats expectations*, CANOE (October 31, 2001) <http://www.canoe.ca/MoneyEarningsArchive/oct 31_comcast-ap.html>.

[xxiv] *Business: Nation/World Briefs*, THE DETROIT NEWS, May 9, 2001, *available in* 2001 WL 3756493.

[xxv] *Cox Communications Posts Net Loss on Fall in Value of Investments*, THE WALL STREET JOURNAL, August 1, 2002, *available in* 2002 WL-WSJ 3402290.

[xxvi] *See Cox quarterly profit drops 80%*, ATLANTA JOURNAL-CONSTITUTION, April 23, 2002, *available in* 2002 WL 3719726; Deborah Solomon, *Cox Net Falls 80%, but Subscriptions Lift Sales*, THE WALL STREET JOURNAL, April 23, 2002, *available in* 2002 WL-WSJ 3392548; Mavis Scanlon, *Growth in Basic and New Services Boosts Q1 for Cox*, CABLE WORLD, April 29, 2002, *available in* 2002 WL 9607318.

[xxvii] *See* Deborah Solomon, *Cox Communications' Profit Falls 66%, Amid Slower Rate of Subscriber Growth*, THE WALL STREET JOURNAL, July 24, 2001, *available in* 2001 WL-WSJ 2870391.

[xxviii] *See* Mike Farrell, *Cox Stumbles Over Basic Growth Slowdown*, MULTICHANNEL NEWS, July 30, 2001, *available in* 2001 WL 8716302.

[xxix] *Hughes 2nd-Quarter Loss Narrows on Rising Revenue*, SATELLITE WEEK, July 22, 2002, *available in* 2002 WL 8277304; Andrew Bary, *Looking for Liftoff*, BARRON'S, August 5, 2002, *available in* 2002 WL-Barrons 22178899.
[xxx] *Hughes 2nd-Quarter Loss Narrows on Rising Revenue*, SATELLITE WEEK, July 22, 2002, *available in* 2002 WL 8277304.
[xxxi] *Satellite Business*, SATELLITE WEEK, April 22, 2002, *available in* 2002 WL 8277178.
[xxxii] *Hughes Electronics Reports Net Loss*, AP ONLINE, January 15, 2002, *available in* 2002 WL 10031467.
[xxxiii] *Hughes 2nd-Quarter Loss Narrows on Rising Revenue*, SATELLITE WEEK, July 22, 2002, *available in* 2002 WL 8277304.
[xxxiv] *Satellite Business*, SATELLITE WEEK, April 22, 2002, *available in* 2002 WL 8277178.
[xxxv] *Financial: In Brief*, THE WASHINGTON POST, December 18, 2001, *available in* 2001 WL 31543709.
[xxxvi] *Hughes 3rd Quarter Loss Grows on Layoffs*, SATELLITE WEEK, October 22, 2001, *available in* 2001 WL 8140365.
[xxxvii] *See* Jeff May, *How a telecom startup sent waves through a battered industry*, THE STAR-LEDGER, June 23, 2002, *available in* 2002 WL 23258316.
[xxxviii] *Business: Daily Briefing*, ATLANTA JOURNAL-CONSTITUTION, July 5, 2002, *available in* 2002 WL 3728679.
[xxxix] *See* Robyn Kurdek, *KMC Telecom Pulls Planned IPO*, THE IPO REPORTER, October 8, 2001, *available in* 2001 WL 8078087.
[xl] *See* Yuki Noguchi, *StarBand Files for Chapter 11; Firm Drops Suit Against EchoStar*, THE WASHINGTON POST, June 1, 2002, *available in* 2002 WL 21748605; *Bankrupt StarBand Puts On A Brave Face*, SATELLITE NEWS, June 24, 2002, *available in* 2002 WL 8255178.
[xli] *See* Yuki Noguchi, *Slow to Take Off; Internet Service Via Satellite Remains an Expensive Choice*, THE WASHINGTON POST, August 8, 2001, *available in* 2001 WL 23185389; Nir Goldberg, *Gilat Satellite Networks' unsuccessful investments*, ISRAEL BUSINESS ARENA, July 14, 2001, *available in* 2001 WL 24719066; *The Satellite News Financial Ticker*, SATELLITE NEWS, August 20, 2001, *available in* 2001 WL 523096.
[xlii] *See* Rick Rothacker and Stan Choe, *Business: Daily Briefing*, CHARLOTTE OBSERVER, July 31, 2002, *available in* 2002 WL 23287677.
[xliii] *See* Sarah Lunday, Stan Choe, and Tony Mecia, *Business: Daily Briefing*, CHARLOTTE OBSERVER, February 22, 2002, *available in* 2002 WL 13568883.
[xliv] *See* Rick Rothaker and Stan Choe, *Business: Daily Briefing*, CHARLOTTE OBSERVER, October 26, 2001, *available in* 2001 WL 29084846; Tony Mecia and Rick Rothaker, *Business: Daily Briefing*, CHARLOTTE OBSERVER, August 1, 2001, *available in* 2001 WL 25170964.
[xlv] *See* Christopher Stern, *WorldCom Fights on 2 Fronts: Investigations Into Accounting Practices Compound Firm's Fiscal Troubles*, THE WASHINGTON POST (July 23, 2002) <http://www.washingtonpost.com/wp-dyn/articles/A47073-2002Jul22.html>; *Sen. Dorgan Asks Justice Why No Enron Executives Charged*, DOW JONES (August 16, 2002) <http://news.morningstar.com/news/DJ/M08/D16/1029532861159.html>.
[xlvi] *WorldCom CEO Declines to Certify Reports From Fiscal Year 2001 Forward*, DOW JONES NEWSWIRES (August 15, 2002) <http://news.morningstar.com/news/DJ/M08/D15/1029432060946.html>.
[xlvii] *See* Chris Nolter and Leon Lazoroff, *WorldCom bondholders call in help*, THE DAILY DEAL, July 11, 2002, *available in* 2002 WL 22399150; John Porretto, *WorldCom weighs reorganization: The company is negotiating for a sorely needed $5 billion in loans*, THE BRADENTON HERALD, July 10, 2002, *available in* 2002 WL 22150178.
[xlviii] *See* Steven Oberbeck, *MCI Residential Service Stalls*, THE SALT LAKE TRIBUNE, July 13, 2002, *available in* 2002 WL 4263968.
[xlix] *WorldCom Doesn't Know When $5 Billion Credit Line Will Be Done*, DOW JONES NEWSWIRES (June 14, 2002) <http://news.morningstar.com/news/DJ/M06/D14/1024078261742.html>.
[l] *WorldCom's Spending Slowdown is Bad News for Gear Firms*, COMMUNICATIONS TODAY, September 4, 2001, *available in* 2001 WL 6734123.
[li] *See* Reuters, *WorldCom Gives Pink Slips to About 6,000 Workers* (Feb. 28, 2001) <http://quote.fool.com/news/symbolnews.asp?symbols=WCOM&currticker=WCOM&format=decimal&lpp=10&dtfrom=1%2F19%2F2001+3%3A13%3A28+PM&dtto=4%2F19%2F2001+3%3A13%3A28+PM&sourcetype=1&exch=NYSE%2CNASDAQ%2CAMEX%2CMF%2CU%2CUS%2CUSMF&cdnsortby=Date&sid=594246&pos=97&action=gs>.
[lii] *See* Bernard Hodes Group, *Labor Force Briefs*, MONITOR (April 1, 2001) <http://www.hrplaza.com/talk/PDFs/Monitor_04_01.pdf>.
[liii] *See* Tim Richardson, *WorldCom to axe 800 UK jobs*, THE REGISTER (May 2, 2001)

<http://www.theregister.co.uk/content/22/18578.html>.

[liv] *WorldCom's European cuts will hit Britain hardest*, NETWORK NEWS, October 10, 2001, *available in* 2001 WL 8762912.

[lv] *Post says TD Bank, Scotiabank face XO loan woes,* CANADA STOCKWATCH, June 18, 2002, *available in* 2002 WL 21839611.

[lvi] *See* Hilary Smith, *XO plots out restructuring options*, RCR WIRELESS NEWS, May 20, 2002, *available in* 2002 WL 10370771.

[lvii] See Carol M. Cooper, *Where to Invest: Strategies for Stock & Bonds: The Pros*, BUSINESSWEEK, December 31, 2001, *available in* 2001 WL 26536113; *XO is Forced into Bailout Erasing its Stock Value*, TELECOM MANAGER'S VOICE REPORT, *available in* 2001 WL 23837639; Jerry Knight, *Telecom Firms Knew Market Wouldn't Be All That Fell*, THE WASHINGTON POST, December 3, 2001, *available in* 2001 WL 30330083.

[lviii] XO's Revenues Up 36 Percent, Communications Today, February 19, 2002, available in 2002 WL 6536370.

[lix] *S&P Downgrades XO's Debt Rating*, COMMUNICATIONS TODAY, November 12, 2001, *available in* 2001 WL 29446532.

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[lxi] *See* Shawn Young, *XO Reports Wide Loss for First Quarter, Gets $250 Million in Additional Funding*, THE WALL STREET JOURNAL, April 27, 2001, *available in* 2001 WL-WSJ 2861760.

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of	)	
	)	
Application by Verizon Virginia Inc.,	)	
Verizon Long Distance Virginia Inc.,	)	WC Docket No. 02
Verizon Enterprise Solutions Virginia Inc.,	)	
Verizon Global Networks Inc., and Verizon	)	
Select Services of Virginia Inc., for	)	
Authorization To Provide In-Region,	)	
InterLATA Services in Virginia	)	

DECLARATION OF BRIAN PITKIN
ON BEHALF OF AT&T CORP.

I. QUALIFICATIONS AND SUMMARY

1. My name is Brian F. Pitkin. I am a Director in the Financial Consulting Division of FTI Consulting, Inc. During the past six years, I have had extensive experience with the cost models and underlying databases that have been submitted in proceedings arising out of the Telecommunications Act of 1996 ("1996 Act"). I have testified on the inputs and methodologies used in a variety of cost models and cost studies used in state and federal proceedings for estimating costs of (1) unbundled network elements ("UNEs") for interconnection, (2) basic local service for universal service fund ("USF") requirements, and (3) access services. I received a Bachelor of Science degree in Commerce, with concentrations in both Finance and Management Information Systems, from the McIntire School of Commerce at the University of Virginia in 1993.

2. The purpose of my testimony is to show that Verizon's rates for non-loop and switching UNEs in Virginia are substantially higher, on a cost adjusted basis, than in New York,

the state that Verizon and the Commission have used as a rate benchmark in other Verizon states, and that Verizon's loop rates are not TELRIC-compliant.

3. First, I demonstrate that Verizon's Virginia non-loop recurring rates are substantially higher, on a cost adjusted basis, than in New York. In particular, Verizon's Virginia non-loop rates exceed Verizon's New York rates by 43 percent on a cost adjusted basis.

4. Second, I demonstrate that Verizon's Virginia switching recurring rates are substantially higher, on a cost adjusted basis, than those in New York. In particular, Verizon's Virginia switching rates exceed Verizon's New York rates by 53 percent on a cost adjusted basis.

5. Third, I demonstrate that Verizon's Virginia loop rates are not TELRIC compliant. In particular, loop rates in Virginia are substantially higher than the corresponding costs would dictate, given the substantial growth in demand that has occurred since these rates were computed.

II. VERIZON'S VIRGINIA NON-LOOP AND SWITCHING RATES ARE NOT TELRIC COMPLIANT.

A. Verizon's Virginia Non-Loop Rates Greatly Exceed Those Of New York On A Cost Adjusted Basis.

6. The Commission has, in the past, used Verizon's New York UNE rates to determine whether Verizon's UNE rates in other states are within a range that a reasonable application of TELRIC principles would have produced. *See, e.g., NJ 271 Order* ¶ 50; *VT 271 Order* ¶ 26; *RI 271 Order* ¶ 39. As shown in Table 1 (below), Verizon's Virginia non-loop rates exceed those in New York by 53 percent. Yet, Verizon's Virginia non-loop costs are only 7 percent above those in New York. *See* Table 1 (below) and Exhibit A to this declaration. There is no question, therefore, that the difference between Verizon's Virginia and New York non-loop

costs (7 percent) do not remotely account for the substantial difference in non-loop rates between those states (53 percent). *See* Table 1 (below).

Table I

Verizon Cost Adjusted Non-Loop UNE Rates
(State-Specific Volumes)

	Virginia	New York	Difference
Total Non-Loop Rate (per-line, per-month)	$ 7.85	$ 5.13	**53%**
UNE Synthesis Model Non-Loop Cost	$ 3.77	$ 3.52	**7%**
Percent Difference in Cost Adjusted Non-Loop UNE Rates			**43%**

7. Verizon does not deny this fact. Instead, Verizon invites the Commission to ignore the non-loop benchmark – and Commission precedent – and instead to rely only on a loop benchmark in Virginia.[1] This is clearly inappropriate because in order for a BOC to satisfy Checklist Item 2, the UNE rates must be "based on the cost . . . of providing . . . *the* network element." 47 U.S.C § 252(d)(1) (emphasis added). Therefore, to gain § 271 approval, a BOC must show that the rates for each of its network elements comply with TELRIC principles.

8. Indeed, the whole purpose of unbundling is to allow an entrant to purchase – at cost-based rates – only the elements necessary to implement its particular entry strategy. If a BOC were free to evade the requirement to offer each element that qualifies for unbundling at cost-based rates by offering some elements at low rates and others at inflated rates, the BOC would have the ability to tailor its rates to impede the entry strategies that posed the greatest risk to its local monopolies. Moreover, CLECs are not indifferent to the level of non-loop and loop costs. A substantial portion of non-loop costs are recovered on a usage basis, whereas loop costs

[1] *See* Joint Declaration of Woltz, Garzillo, and Prosini at ¶¶ 76.

are fixed. A CLEC that serves high usage customers, therefore, would be very sensitive to usage costs, and less sensitive to non-usage costs.[2]

9. To be sure, the Commission has recognized that the potential arbitrariness of certain allocations may require some combination of rate elements to achieve meaningful comparisons. The Commission has, for example, compared total switching costs (and even total non-loop costs) in recognition of the fact that states may differ in the ways that they allocate such costs among usage and port charges. However, no such issues arise with non-loop and loop-related costs because the Commission's rules specifically prohibit state commissions from allowing carriers to allocate loop-related costs to a switching element or vice-versa. *See* 47 U.S.C. 51.509(a)-(b). *See also PA 271 Order* ¶ 66 ("we consider the reasonableness of loop and non-loop rates separately"); *KA/OK 271 Order* ¶¶ 82-95 (comparing loop costs only); *MA 271* ¶ 26 (comparing only non-loop rates).

10. Where, as here, the applicant's non-loop rates are higher (on a cost-adjusted basis) than those in a valid benchmark state, the applicant must prove – with specific cost evidence – that its non-loop rates are appropriately cost-based. Verizon did not, and could not, do that.

B. Verizon's Virginia Switching Rates Greatly Exceed Those Of New York On A Cost Adjusted Basis.

11. As noted above, the Commission has used the Synthesis Cost Model to make cost-adjusted state-to-state comparisons of non-loop rates – which include the costs of the switch port, switch usage, switch features, transport, signaling, and tandem switching. The Commission

[2] Verizon has claimed that its kitchen sink approach is appropriate because no CLEC *currently* purchases switching elements separately from loop elements. If Verizon were permitted to charge above-cost rates for certain elements simply because they were not purchased separately today, that would enable Verizon to foreclose all future entry strategies that rely on purchasing those elements separately.

should also evaluate an independent analysis of only the switching rates. A switching-related benchmark analysis between Virginia and New York is appropriate (in addition to the non-loop benchmark analysis) and should be considered by the Commission. That analysis should exclude the costs of transport facilities and tandem switches (*i.e.*, inter-office facilities) from the benchmarking analysis, and focus on the central switching rate elements (*i.e.*, the switch port, switch usage, switch features and signaling). Verizon's switching rates fail this comparison by an even wider margin than do Verizon's non-loop rates in the aggregate.

12. It is important to perform a benchmark analysis of switching-only rates as a supplement to the usual comparison of aggregate non-loop rates—which include the costs of the switch port, switch usage, switch features, transport, signaling, and tandem switching—when comparing a relatively dense state like New York with a less densely populated state like Virginia.[3] The Synthesis Cost Model substantially overstates transport costs (and thus aggregate non-loop costs) in less densely populated states relative to more densely populated states, thereby substantially overstating the level of non-loop *rate differences* that might be justified by costs.

13. Further, because the Synthesis Model overstates transport costs in every state, the model gives disproportionate weight to transport costs in any benchmarking analysis. The problem is most acute, however, when the benchmark ("anchor") state has significantly higher average line densities than the comparison state. Because the transport cost algorithms of the model imply large economies of density, the overstatement of transport costs will be relatively more severe in the state with lower population density, as will the overstatement of total non-loop costs. The result is to understate the profitability of the non-loop rates in the state with

[3] According to the source cited by Verizon, Virginia has an average population of 165.5 people per square mile. The corresponding figure for New York is 348.4. *See* Netstate, Census 2000 State Population Information, http://www.netstate.com/states/tables/ st_population.htm. The disparity in line density is likely to be comparable or greater.

lower population density, and increase the likelihood of an erroneously favorable outcome from the benchmark analysis.

14. The overstatement of transport costs by the Synthesis Model issue surfaced in the pending arbitration before the Commission over Verizon's UNE prices in Virginia. In that case, the transport cost estimates generated by AT&T's runs of the Synthesis Model were *three times* as high as the transport costs estimated by Verizon using another model. Provoked by this anomaly, a member of the Commission's staff asked AT&T's transport witness, Steve Turner, "why don't you just all agree that we should use [Verizon's transport cost estimates] and we could all go home?"[4] Mr. Turner replied that, if forced to choose between the Synthesis Model and Verizon models for transport costs without modifying either one, he would choose the latter.[5]

15. Verizon, for its part, agreed that the "MSM's Switching and Transport Module" (Verizon's term for AT&T's runs of the transport module of the Synthesis Model) was "inappropriate for use in a UNE proceeding."[6] The model was "flawed," Verizon added, "as AT&T/WorldCom admitted."[7]

16. Verizon's criticisms of the Synthesis Model went much further, however. Verizon assailed the Model as "incapable of estimating company- and state-specific UNE rates with any accuracy."[8] The Model, Verizon added, "is not designed to model, nor can it be

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[4] *Id.*, 19 Tr. 5552 (Nov. 29, 2001) (Mr. Morris).

[5] *Id.* at 5553 (Mr. Turner).

[6] *Petitions of WorldCom, Inc., Cox Virginia Telecom, Inc., & AT&T Communications*, CC Docket Nos. 00-218 and 00-251, Verizon Initial Post-Trial Brief on Cost Issues (Dec. 21, 2001) at 173.

[7] *Id.*

[8] *Petitions of WorldCom, Inc., Cox Virginia Telecom, Inc., & AT&T Communications*, CC Docket Nos. 00-218 and 00-251, Verizon Reply Post-Trial Brief on Cost Issues (Jan. 31, 2002) at 133.

modified to account for, the costs of the full and robust network that is the focus of UNE proceedings."[9] The "underlying platform" of the Model "prevents it from accurately measuring the forward-looking costs that Verizon VA or, for that matter, any efficient carrier, would incur in providing the full range of UNEs required by the Commission."[10] Verizon has never retracted these criticisms.

17. The importance of satisfying benchmark comparisons of stand-alone switching rates, not just a benchmark comparison of all non-loop rates in the aggregate, is rooted in basic competitive policies that are implicit in any rational economic interpretation of Section 271. Proper TELRIC pricing of *each element* is critical to ensuring that CLECs can continue expanding new technologies and new methods of entering local markets with various UNE combinations. Allowing BOCs to foreclose particular methods of entry by manipulating the individual UNE prices within a more aggregate basket of UNEs would enable the BOCs to foreclose particular entry strategies, thereby undermining the core competitive terms of the 1996 Act.

18. One of the most important lessons of economic regulation is that regulators, no matter how knowledgeable and prescient, almost always harm competition when they try to anticipate and handicap the future path of competition in an industry, rather than simply creating a level playing field. As the Commission noted in its *Local Competition Order* ¶ 12:

> [G]iven the likelihood that entrants will combine or alter entry strategies over time, an attempt to indicate such a preference in our section 251 rules may have unintended and undesirable results. Rather, our obligation in this proceeding is to establish rules that will ensure that all pro-competitive entry strategies may be explored. As to success or failure, we look to the market, not to

[9] *Id.*

[10] *Id.* at 134.

regulation, for the answer.

19. Chairman Powell likewise noted recently in a speech on spectrum policy, "There is no question that we need to be able to deal with unpredictable and dynamic changes fast enough to be meaningful in the market and meaningful to consumers. . . . The 'laborious process' of government command and control 'has served the country well to this point, but is futilely too slow to rapidly move things to new and better innovative uses."[11] Peter Huber, a lawyer for Verizon and other RBOCs, has made the same point. *See* Peter Huber, *Law and Disorder in Cyberspace* (1997) at pp. xiii-xv (listing major changes in communications technology and competition assertedly not foreseen by Commission and other expert observers).

20. We understand that Section 271(d)(3)(A) entitles a Bell operating company like Verizon to begin providing in-region interLATA service only if the Commission finds (among other things) that the company has satisfied the competitive checklist set forth in Section 271(c)(2)(B). The second item in the checklist, Section 271(c)(2)(B)(ii), requires that the Bell company provide "[n]ondiscriminatory access to network elements in accordance with the requirements of sections 251(c)(3) and 252(d)(1)." And Section 252(d)(1) in turn requires that charges for network elements and interconnection shall be "based on the cost . . . of providing . . . the network element." 47 U.S.C. § 252(d)(1).

21. We also note that Congress, apparently recognizing the particular competitive potential of unbundled switching and unbundled transport, expressly required that each be offered separately, unbundled from the other. Competitive checklist item five requires Bell companies to offer "[l]ocal transport from the trunk side of a wireline local exchange carrier

[11] "FCC Chairman Michael K. Powell Outlines Critical Elements of Future Spectrum Policy," FCC New Release issued Aug. 9, 2002, http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-225310A1.pdf (site visited Aug. 11, 2002).

switch *unbundled from switching or other services.*" 47 U.S.C. § 271(c)(2)(B)(v) (emphasis added). And competitive checklist item six requires Bell companies to offer "[l]ocal switching unbundled *unbundled from transport, local loop transmission, or other services.*" *Id.*, § 271(c)(2)(B)(vi) (emphasis added). The competitive potential of unbundling switching and transport will remain stillborn, however, unless each element can be ordered an appropriate separate price.

22. The Commission's benchmarking policy need not (and should not) be interpreted to produce such an anticompetitive result. The benchmarking policy is essentially an indirect method of determining whether a price charged by the BOC for each network element is TELRIC-compliant. Rather than making this determination directly and separately for each element, the Commission has adopted two shortcuts. First, network elements in a particular state will satisfy the statutory cost standard if (a) the same carrier's prices for network elements have been found to satisfy the cost standard in another state, and (b) the rate-to-cost ratios of the carrier's prices in the state at issue do not exceed the corresponding ratios in the state where the Commission has already made a direct determination of the carrier's costs (with the relative costs in the two states based on Commission runs of the Synthesis Model in both states). Second, if the rates for the entire basket of non-loop UNEs satisfy a benchmark comparison in the aggregate, each of the individual network elements with the basket of will be presumed to satisfy the benchmark comparison as well. Rhode Island 271 Order ¶ 40; New Jersey 271 Order ¶ 52.

23. In appropriate circumstances, these shortcut presumptions may be appropriate. If the costs of UNEs in one state bear a known ratio to the costs of UNEs in another, rate benchmarking has obvious merit as a way to simplify the litigation process by not directly determining the costs of UNEs in the second state. Likewise, if CLECs regard two or more

UNEs as complementary goods, order them in fixed proportions, and for structural reasons are certain to continue doing so permanently, it is not unreasonable to benchmark the combination of UNEs in the aggregate rather than individually—just as it would not be unreasonable to redefine the combination as a single UNE. These conditions are not satisfied, however, for switching and transport in Virginia.

24. For these reasons, I have therefore conducted a switching-only benchmark analysis to supplement the aggregate non-loop analysis discussed above. *See* Table II (below) as well as Exhibit A to this declaration.

Table II

Verizon Cost Adjusted Switching UNE Rates
(State-Specific Volumes)

	Virginia	New York	Difference
Total Switching Rate (per-line, per-month)	$ 7.75	$ 4.99	**55%**
UNE Synthesis Model Switch Cost	$ 3.31	$ 3.26	**1%**
Percent Difference in Cost Adjusted Switching UNE Rates			**53%**

25. This analysis confirms that Verizon's Virginia switching rates cannot be justified by a comparison to Verizon's New York switching rates. Indeed, Verizon's Virginia switching rates are 53 percent higher than those in New York on a cost adjusted basis. Verizon itself admits that the switching rates in Virginia do not pass the Commission's benchmark against New York.[12]

[12] *See* Verizon Application at page 52 ("the switching rates established by the SCC do not benchmark to the recently adopted rates in New York").

26. Thus, the fact that Verizon's Virginia *switching* rates are 53% higher than in New York on a cost adjusted basis is fatal to Verizon's claim that its rates can be accepted by this Commission.

C. Verizon's Virginia Loop Rates Are Not TELRIC Compliant.

27. Verizon's existing loop rates in Virginia are not TELRIC compliant for a number of reasons.[13] First, the underlying data used to compute the loop rates are stale (from about the 1996 era). Hence, even if the rates were TELRIC-compliant at that time, they are not so today. I noted this problem in the most recent Virginia arbitration proceeding and adjusted my inputs to capture more accurately the increased demand and decreased costs that Verizon Virginia has experienced over the recent past.[14] Significantly, while Verizon took issue with the particular the methodology I used to quantify the growth in demand and decrease in per-line loop costs since 1996, Verizon did not dispute that demand had increased and costs (per-line) had decreased during this period.

28. Second, publicly available Verizon-specific ARMIS data illustrate the decrease in loop costs on a per-line basis over this period. This is true whether or not electronics are included in the loop costs.[15] A simple analysis of Verizon's Virginia net cable and wire

[13] Cathy Pitts, in her declaration, discusses the failure of Verizon's switching rates in Virginia to comply with TELRIC.

[14] *See* my Direct Testimony in the UNE arbitration concerning Verizon's rates in Virginia, now pending before the Commission (CC Docket Nos. 00-251 and 00-218): "The Synthesis Model uses 1998 line counts, call completions and dial equipment minutes ("DEMs"). Verizon-VA has experienced growth in demand over the past several years, and I have updated the inputs to the model for line counts, DEMs and call completions to reflect this growth".

[15] Cable and wire facilities (ARMIS account 2410) contains much more than the investment in cable and wire. In fact, it includes investment in poles and associated labor and material (ARMIS account 2411), aerial cable (ARMIS account 2421), underground cable (ARMIS account 2422), buried cable (ARMIS account 2423), intrabuilding network cable (ARMIS account 2426), and conduit systems (ARMIS account 2441). These accounts, in combination,

("C&W") investments and access lines confirms this fact. In fact, between 1996 and 2001, Verizon's Virginia net C&W investment grew much more slowly than access lines, resulting in overall declines in net investment per line between 27 percent and 36 percent from 1996 to 2001 in Virginia. *See* Table III (below).

Table III

Net Investment per Unit of Demand

Facilities	Unit	Net Investment 1996	Net Investment 2001	% Difference (1996-2001)
Cable and Wire	Per-Line	$ 362.50	$ 230.68	-36%
Cable, Wire and Circuit	Per-Line	$ 563.77	$ 409.98	-27%

29. Third, the telecommunications industry is a declining cost industry. Verizon's Virginia loop rates do not reflect this. Verizon Virginia has not translated the increased demand and subsequent decreased per-line loop costs it has experienced into Verizon's Virginia loop rates; hence they are not and cannot be TELRIC compliant today.

III. CONCLUSION

30. Verizon's Virginia non-loop rates do not pass the benchmark versus New York's non-loop rates. The disparity is even greater when one compares the switching rates alone. In all, the non-loop UNE rates as a whole (as well as the switching UNE rates taken alone) in Virginia are overstated and fail to satisfy the Commission's benchmarking test. Finally, Verizon's Virginia loop rates should properly reflect the increased demand and resulting

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reflect the bulk of the assets associated with loops that do not use DLC. ARMIS account 2232, circuit equipment, includes DLC and other multiplexing equipment. In combination, these two major categories of investment include virtually all assets associated with loops that use DLC.

decreased per-line loop costs that Verizon Virginia has experienced over the past five years. Verizon Virginia fails to do this; hence, its loop rates in Virginia are not TELRIC compliant.

VERIFICATION PAGE

I declare under penalty of perjury that the foregoing Declaration is true and correct.

/s/ Brian Pitkin

Brian Pitkin

Executed on: August 21, 2002

Verizon Non-Loop Benchmarking

UNE Rates	NY	VA
Orig. EO Switching	$ 0.0011470	$ 0.0041290
EO Switch Port	$ 0.0003710	
Shared Transport (Blended)		
Shared Transport (Local)		
Shared Transport (Toll)		
Common Xport	$ 0.0002030	$ 0.0001140
Tandem switching (usage+port)	$ 0.0004810	$ 0.0005480
Term. EO Switching	$ 0.0011110	$ 0.0020790
Tandem Common Trnk Port	$ 0.0005700	
UNE Cost		
Orig. EO Switching	$ 1.13	$ 4.61
Orig. EO Switch Port	$ 0.21	$ -
Shared Transport (Blended)	$ -	
Common Xport - Blended	$ 0.11	$ 0.07
Tandem switching (usage+port)	$ 0.04	$ 0.03
Term. EO Switching	$ 0.87	$ 1.84
Term. EO Switch Port	$ 0.21	
Port	$ 2.57	$ 1.30
Features		
Total Switch Related	$ 4.99	$ 7.75
Non-Switch Non-Loop	$ 0.15	$ 0.10
Total Non-Loop	$ 5.13	$ 7.85

		2001 Local	2001 Total
VA	VZ-VA	1,772.3	2,231.6
NY	VZ-NY	1,594.3	1,974.7

2001 DEM Per Avg Line	NY	VA
Local	797	886
Toll	190	230

MOU Assumptions	Intraoffice %	Tandem %
Local	35%	2.0%
Toll	0%	20.0%

2001 DEM Per Avg Line	NY	VA
Local	1,594	1,772
Total	1,975	2,232

2000 DEM Per Avg Line	NY	VA
Local	1,773	1,731
Total	2,236	2,168

Cost Adjusted Non-Loop Rates

State	**UNE Non-Loop Rate,** per line per month	**% Diff in UNE Non-Loop Rate:** Other states vs NY	**FCC SynMod Non-Loop** cost per line.	**% Diff in SynMod UNE Non-Loop Cost: Other states vs NY**	**% Diff in Cost Adjusted UNE Non-Loop Rate: Other states vs NY**
NY	$ 5.13	0%	$ 3.52	0%	0%
VA	$ 7.85	53%	$ 3.77	7%	43%

Cost Adjusted Switching Rates

State	**UNE Switch Rate,** per line per month	**% Diff in UNE Switch Rate:** Other states vs NY	**FCC SynMod Switch** cost per line.	**% Diff in SynMod UNE Switch Cost: Other states vs NY**	**% Diff in Cost Adjusted UNE Switch Rate: Other states vs NY**
NY	$ 4.99	0%	$ 3.26	0%	0%
VA	$ 7.75	55%	$ 3.31	1%	53%

Synthesis Model UNE
Cost Detail

NECA ID	state	company	EO Switching	Signaling	Switch & Signaling	Common Transport	Tandem Switch	UNE Platform Non Loop	Switch Related Investment
155130	**New York**	VZ-NY	$ 3.20	$ 0.06	$ 3.26	$ 0.21	$ 0.05	$ 3.52	$ 143.14
195040	**Virginia**	VZ-VA	$ 3.16	$ 0.15	$ 3.31	$ 0.39	$ 0.07	$ 3.77	$ 147.75

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of	)	
	)	
Application by Verizon Virginia Inc.,	)	
Verizon Long Distance Virginia Inc.,	)	
Verizon Enterprise Solutions Virginia Inc.,	)	WC Docket No. 02-214
Verizon Global Networks Inc., and Verizon	)	
Select Services of Virginia Inc., for	)	
Authorization To Provide In-Region,	)	
InterLATA Services in Virginia	)	

DECLARATION OF CATHERINE E. PITTS

1. My name is Catherine E. Pitts (formerly Petzinger). I am a consultant to AT&T on switch cost modeling issues. My business address is 810 Long Drive Road, Summerville, South Carolina.

2. I have an MBA from Rutgers University, New Jersey, and eighteen years of experience in the telecommunications industry. Before becoming an independent consultant earlier this year, I was employed for five years by AT&T Corporation as a District Manager in Regulatory and Legislative Affairs. Prior to joining AT&T, I was employed by Bellcore (now Telcordia Technologies) for 13 years. While at Telcordia, I was one of three individuals who designed and implemented new incremental costing methodology into the Switching Cost Information System/Intelligent Network (SCIS/IN) model. The SCIS/IN model is used to identify the costs associated with switching "features" (*e.g.*, call waiting, call forward, and caller ID) and belongs to the family of SCIS models used to determine the costs associated with switching in general. I was

Telcordia's lead subject matter expert on feature costing, as well as a subject matter expert on the 1ESS, 1A ESS and 5ESS switches. When I was promoted to lead the SCIS group of approximately 20 people, I was responsible for the technical development, production, documentation, and customer care for the Switching Cost Information System/Model Office (SCIS/MO) and SCIS/IN models.

3. My experience also includes extensive consultation in the use of cost models in various cost studies in the United States and abroad. I have presented expert testimony regarding switching investments and costs in numerous unbundled network element ("UNE") and Universal Service Fund ("USF") proceedings. Most significant for purposes of this proceeding, I have participated in Verizon cost proceedings in New York, Virginia, Maryland, Massachusetts, Pennsylvania, New Hampshire and Rhode Island.

4. The purpose of this declaration is to discuss whether Verizon's existing rates for unbundled local switching in Virginia comply with the Commission's TELRIC standard. The answer is that they do not.

5. As Verizon notes in its Section 271 application, its current rates for unbundled switching in Virginia were established by the Virginia State Corporation Commission in SCC Case No. PUC970005, *Ex Parte: To Determine Prices Bell Atlantic-Virginia, Inc. Is Authorized To Charge Competitive Local Exchange Carriers In Accordance With The Telecommunications Act of 1996 And Applicable State Law*). Those rates were inflated from the outset by basic TELRIC violations, the most important

of which were discussed by witnesses for AT&T and WorldCom in the arbitration currently pending before the Commission over Verizon's UNE prices in Virginia.[1]

6. I will not repeat that discussion here. Even if Verizon's prices for unbundled switching in Virginia were TELRIC-compliant when first established, they are not TELRIC-compliant today because the switch discount and switch investment data underlying them are stale. The Verizon Phase I cost studies were initially developed in late 1996. The switch discounts used by Verizon in its cost studies reflect the discounts on replacement and growth switching equipment that Verizon was able to achieve during the early to mid-1990's. Since that time, switch vendors have offered more aggressive – indeed steeper – discounts on new switching equipment.

7. In addition to offering steeper discounts on replacement switch equipment, vendors have increased the level of discounts available on growth or add-on equipment to the point where these discounts are almost to the level of the traditionally higher new switch discounts. By failing to update the switch rates to reflect the steeper discounts now available for both new and add-on switching equipment, the forward-looking switch investments, and thus the switch rates, are overstated.

8. Furthermore, switch components have been evolving, allowing greater capacities, thus reducing unit costs.[2] And Verizon's merger with Bell Atlantic that

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[1] *Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc., and for Expedited Arbitration*, CC Docket Nos. 00-218 *et al.*

doubled the number of switches of the merged entity, and the subsequent merger with GTE vastly increased the purchase power of Verizon. This increased purchasing power allows Verizon to negotiate lower switch prices than it could obtain prior to the mergers. Verizon's use of old, higher prices at the time of the hearing resulted in switch UNE rates that were not cost based.

[2] Examples include trunk peripheral equipment (SONET-based), GR303 integrated digital loop carrier (IDLC), and ISDN packet handling equipment.

VERIFICATION PAGE

I declare under penalty of perjury that the foregoing Declaration is true and correct.

/s/ Catherine E. Pitts

Catherine E. Pitts

Executed on: August 21, 2002